

04 MAY 14 P2:57

STATE OF HAWAII
NOTICE OF AMENDMENT TO EXEMPTION FROM CHAPTER 103D,
HRS, CONTRACT

STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

 FROM: Budget & Finance, Employees' Retirement System
 (Department/Division/Agency)
Name of Contractor: General Enterprises, Inc. & Triad Personnel Services, Inc. P.E. Ref Number: 02-51-J

Description of goods, services, or construction:

Consulting services are required to maintain and to enhance a subsystem written in Progress programming language that supports ERS' service credit/benefit computation programs for the 62,000 active members, 4,100 inactive vested members, and 31,400 retirees and beneficiaries. The Progress based system audits and purifies salary and service credit data, produces member statements, and generates worksheets and information critical to finalizing the more than 1,600 retiree benefits that occur per year. The system accepts salary and service data, performs audit functions, and identifies discrepancies for further research. The system provides an automated means of computing and updating both computed and eligible service credits totals and produces a file of applicable adjustments to the member's record that is fed back to the APPX system. The APPX system supports production of pension checks, handles enrollments, refunds, terminations and retirements.

The scope of work for the contract is revised as follows: See attached.

Original Contract Price: \$ 454,399.20	+	Extension # 249,912 x 3yrs Amended Contract Price: \$ 749,736.00
9/18/02 - 6/30/04		7/1/04 - 6/30/2007

REVISED PR 1,204,135
5/27/04
msy

This / These amendment(s) are necessary because:

See attached.

Direct questions to: David Shimabukuro Phone: 586-1700

*Pursuant to § 103D-102, HRS, and § 3-120-5, HAR, I certify that the information provided above is,
to the best of my knowledge, true and correct.*

Gloria K. Kawamura MAY 14 2004
 Department/ Head or Designee Date
 DIRECTOR OF FINANCE
 Title (If other than Department Head)

Date Posted: MAY 19, 2004

A copy of this notice of amendment shall be posted by the Chief Procurement Officer and the purchasing agency in an area accessible to the public, at least seven (7) calendar days prior to any approval action.

Submit written objections to this notice of intent to amend a procurement exemption contract within seven (7) calendar days from the date posted to:

Chief Procurement Officer:	Mr. Aaron Fujioka
Office/Agency:	Department of Accounting and General Services
Address:	1151 Punchbowl Street Honolulu, HI 96813

Please ensure adherence to applicable administrative and statutory requirements.

☒ APPROVED☐ DISAPPROVED

Adam P. Jantz 5/24/04
 Chief Procurement Officer Date

ATTACHMENT – NOTICE OF AMENDMENT
TO EXEMPTION FROM CHAPTER 103D, HRS, CONTRACT

Name of Contractor: General Enterprises, Inc. & Triad Personnel Services, Inc.
P.E. Reference Number: 02-51-J

The scope of work for the contract is revised as follows:

The consultant will continue efforts to maintain and further enhance the benefit and service credit computation system to produce on-going member statements, incorporate additional input edits to reduce errors, increase reporting capabilities as related to transaction tracking and identification of data abnormalities, and provide additional classification adjustments that will assist in benefit finalizations. Some of the continuing tasks that must be completed include maintenance of ledgers reporting historical salary data, programming for automated and manual adjustments to service credits, cleanse data that is received from the APPX computer system, program or code a module to accept and process purchase of service credits, produce reports of service credits, and others. There are more than 100 different types of salary or personnel actions that could occur within a State or county government employee's work history. The system is required to post, identify, and correct abnormalities from these actions.

Before General Employment Enterprises, Inc., the original consultant (William M. Mercer) had written over 400 different programs that are contained within and operate this system known as the On-line Service Credit and Reporting System (OSCAR). Unfortunately, the ERS' new and present consultant had to review these 400 different software programs through the existing hardware since there was no documentation of these programs. In addition, this new consultant was required to learn the ERS operations to better understand the programs that were coded. The process of reviewing the 400 programs took three times longer than anticipated as the current consultant discovered hundreds of programs that needed to be recoded or reprogrammed because they were not properly done. This process took more than a year to perform, in fact, adjustments continue to be made. As each program was redone, the new consultant also documented what was done.

As time passed, new statutory requirements were enacted that required further changes to these 400 existing programs. Such requirements included the aggregation of certain positions at the University of Hawaii to meet ERS eligibility, nonresident aliens on visas who are excluded from Social Security coverage that must now be enrolled in the noncontributory plan, permitting the rehiring of certain retired teachers, extension of the retirement filing period from 90 days to 150 days, changing computation of the average final compensation and then having it repealed the next year, and others.

The OSCAR system also needed a mechanism for accepting adjustments to employer salary and service data that was not transmitted to the ERS' APPX computer system. Such data included the hundreds of employees who worked as legislative sessional workers from December to May of each legislative session. These data are extremely critical in providing accurate service credit information necessary to make informed retirement decisions.

The frequency and detail of members statements and additional supporting system documentation will be further addressed.

The contract with General Employment Enterprises, Inc. and Triad Personnel Services Inc. was entered into on September 18, 2002 and is scheduled to end on June 30, 2004. This request for extension of the exemption from Chapter 103D, HRS will provide the ERS access to the services of Mr. Ajeet Tailor, Progress programmer through June 30, 2007 for an additional \$249,912 annually or \$749,736 for the three year period. Mr. Tailor is 100% dedicated to this effort and spends every other month on-site in Honolulu to meet with ERS personnel and perform the necessary tasks to change the system. While off-site, Mr. Tailor makes program fixes and codes new programs for ERS to test and use. Mr. Tailor's hourly rate is approximately \$120 per hour including out-of-pocket expenses such as traveling. The original contract is for \$454,399.20 for the period September 18, 2002 to June 30, 2004. Both the original contract amount and the proposed amendment include out-of-pocket expenses.

This amendment is necessary because:

The ERS needs to provide accurate salary and service data to its 98,000 members in order for these individuals to make prudent career and retirement decisions. The OSCAR system provides the necessary audit functions to ensure the accuracy of member data. Without this system, increased manual functions will be needed to review, correct and process important service credit information. This increased manual effort would make it extremely difficult to deal with the existing backlog of retirees who are on estimated pension benefit payments (approximately 2,000), and disability and death claims (over 900). Accurate service credit and salary information provides for expedited benefit payment computations and claims processing.

In addition, the ERS must issue annual member statements. There is pending federal legislation that will require pension systems to issue a member statement on an annual basis. The 2004 Legislature passed the "hybrid" retirement plan that will become effective on July 1, 2006. Almost every ERS member will have the option of converting to the hybrid plan and this will require each member to receive a membership statement that accurately reflects service status. This statement will provide the member with an integral piece of information necessary for them to make an informed decision to enroll in the hybrid plan. These membership statements must be generated and issued well before the end of 2005. The Progress based system if not operational, will require approximately 50 temporary hires to manually review and compute service credit data for the member statements. If this happens, then ERS staff will be required to fully train these individuals. The type of training that is required to perform this work may take up to one year. Unfortunately, as history shows, errors and inconsistency are more likely to occur with a manual process. If this manual processing is required, then the ERS will unlikely meet the deadlines established by recent legislation. The continued use and enhancements realized from this Progress based system will ensure compliance with statutory requirements and provide accurate and timely information to the 98,000 ERS members. If the ERS is unable to secure the requested extension of the 103D exemption, then it is unlikely that the hybrid deadlines or anticipated federal requirements for annual member statements will be met. The current system has over 400 different programs many of which operate with customized code.

It will take 1 ½ to 2 years for a new programmer to get up to speed and another 1 ½ to 2 years to complete the work. The ERS lacks in-house expertise and resources to reprogram the OSCAR system. This Progress based system is an extremely important, interim measure that must be extended for another three years when it is anticipated to be rolled into the ERS' new automated information pension computer system. Consequently, the ERS needs to utilize a consultant with the knowledge, skills, and established Progress programming experience.

Finally, programming changes required for the issuance of the member statements will also assist the ERS in expediting the finalization of pension benefits for the approximately 1,600 annual retirees. If members are permitted to adjust/correct their records prior to filing for retirement, the ERS will have the ability to research records over a period of time versus being deluged at peak times of retirement (e.g. teachers retire in June/July and other members in December/January).

Due to the complexity of the OSCAR system, looming deadlines to issue member statements, the time and resources required to train a new programmer or staff to support a manual process, it would not be advantageous to change programmers.